

SCHEDULE A

**FINAL ANNUAL BUDGET AND SUPPORTING
DOCUMENTATION FOR CHRIS HANI DISTRICT
MUNICIPALITY**



**FINAL ANNUAL BUDGET OF
CHRIS HANI DISTRICT MUNICIPALITY**

**2019/20 TO 2021/22
MEDIUM TERM REVENUE AND
EXPENDITURE FRAMEWORK**

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1.1 Executive Summary

In terms of section 227 of the Constitution, local government is entitled to an equitable share of nationally raised revenue to enable it to provide basic services and perform its allocated functions. The local government equitable share is an unconditional transfer that supplements the revenue raised by municipalities (including property rates and service charges). The equitable share provides funding for municipalities to deliver free basic services to poor households and subsidises the cost of administration and other core services for those municipalities that have the least potential to cover these.

The Constitution gives local government substantial own-revenue-raising powers (particularly through property rates and surcharges on services). Municipalities are expected to fund most of their own administrative costs and cross-subsidise some services for indigent residents. The budget must indicate all allocations from its equitable share and conditional allocations to be transferred to the municipality indicating each category of funding to be utilised by the municipality in the provision of services.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2019/20 (MTREF) Medium-term Revenue and Expenditure Framework for Chris Hani District Municipality:

Table 2 Consolidated Overview of the 2019/20 MTREF:-

Chris Hani District Municipality Consolidated Budget summary: 2019/20 Final Budget						
Description	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year + 2020/21	Budget Year + 2021/22
Total Operating Revenue	937,496	953,542	–	948,222	1,021,860	1,085,502
Capital Revenue	478,606	580,217	–	424,611	687,006	588,460
Total Revenue	1,416,102	1,533,760	–	1,372,833	1,708,866	1,673,962
Total Operating Expenditure	1,225,266	1,279,605	–	1,252,209	1,294,194	1,333,252
Capital Expenditure	558,606	649,217	–	519,611	765,067	576,827
Total Expenditure	1,783,872	1,928,822	–	1,771,820	2,059,261	1,910,079
Total Surplus/(Deficit)	(367,769)	(395,062)	–	(398,987)	(350,395)	(236,117)
Total Surplus/(Deficit) after internal Transfers	(320,249)	(359,216)		(338,799)	(286,947)	(259,497)

Total operating revenue has declined by 0.5 % to R 948.2 million for the 2019/20 financial year when compared to the 2018/19 third adjustment budget. For the two outer years, operating revenue will increase by 8 % and 6 % respectively.

Total operating expenditure for the 2019/20 financial year has been appropriated at R 1,252.2 billion and translates into a budgeted operating deficit of R 338.8 million, when compared to the 2018/19 third adjustment budget, operational expenditure has decreased by 2 % in the 2019/20 final budget and has increased by 3 % in 2020/21 and 2021/22 respectively. The operating deficit for the two outer years steadily decreases from R 303.9 million in the current budget year to R 272.3 million and R 247.7 million in the two outer year. These deficits indicate that the municipality has to increase own revenue base from the water and sanitation services to eradicate the deficit.

The capital budget of R 519.6 million for 2019/20 is 19.9 % less when compared to the 2018/19 third adjustment budget. The decrease is due to the lesser allocations by National treasury and the re-allocations to operational budget. The capital programmes are reflecting signs of an increase and decrease in the two outer years respectively to R 765.1 million and R 576.8 million respectively. The main source of capital funding for the municipality are national conditional grants meant to fund infrastructure. The municipality has to devise and fully implement the revenue enhancement strategy to increase the revenue base of the municipality. The cost of maintaining

the capital infrastructure has to be funded through revenue generating assets. The municipality has to budget for the maintenance of the infrastructure capital assets to maintain its service delivery potential.

1.2 Operating Revenue Framework:-

For the municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that the district is faced with infrastructure backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence the need to determine economic and affordable tariffs and balancing expenditures against realistically anticipated revenues. The municipality has to improve the revenue cycle in order to have funds available to sustain a positive cash flow position and its liquidity.

The municipality has embarked on data cleansing which will improve billing and debt collection rate of the municipality. The focus areas of this strategy are to improve and enhance the following:-

- ✚ The indigent registration;
- ✚ Data cleansing on the financial information systems;
- ✚ Updating of all consumer files data;
- ✚ Accurate billing (proper tariffs charged);
- ✚ Revenue collection that's sustains the cash flow position of the municipality;
- ✚ Skills transfer and capacitation of municipal officials on implementation of the revenue enhancement strategy;
- ✚ Debt recovery of all outstanding amounts; and
- ✚ An effective implementation of the credit control policy.

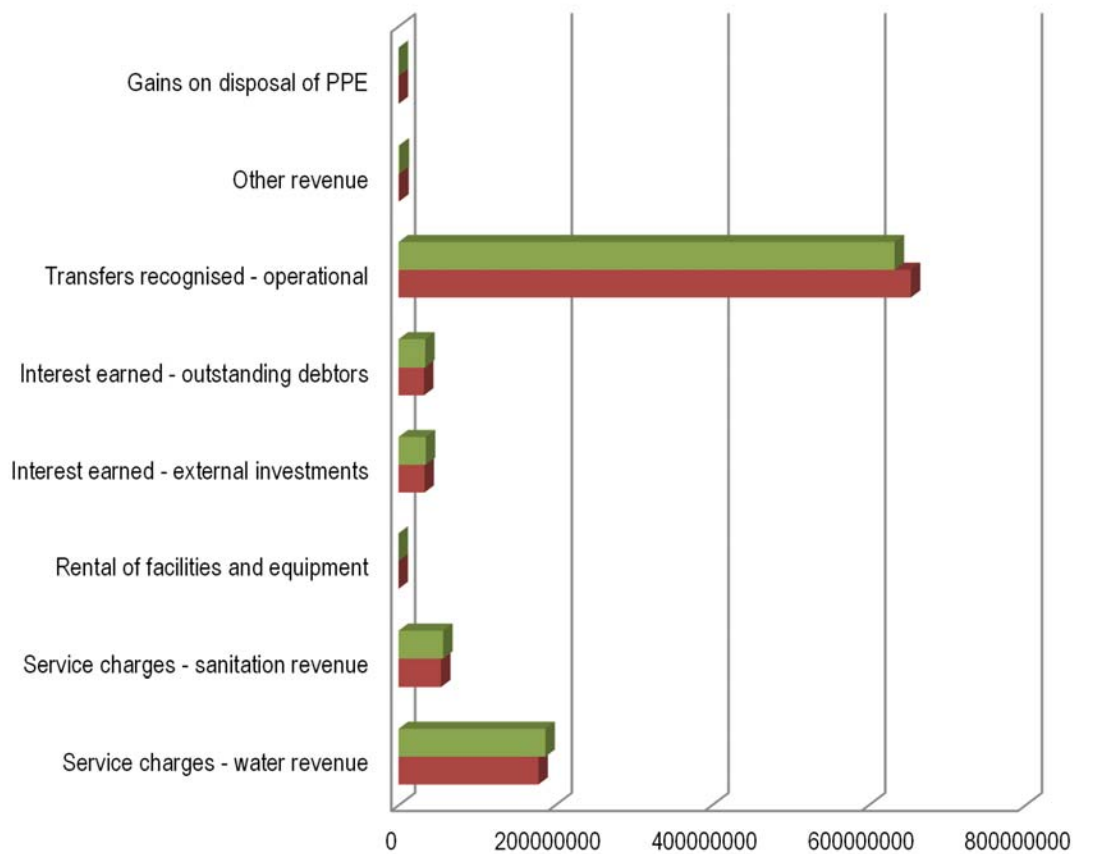
The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

Table 3 Summary of revenue classified by main revenue source:-

Chris Hani District Municipality Operating Revenue by Source: Final Budget 2019/20 MTREF							
Description	2016/17	2017/18	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2019/20	Budget Year + 2020/21	Budget Year + 2021/22
Revenue By Source							
Service charges - water revenue	174,470	221,966	178,574	178,574	187,503	196,878	206,722
Service charges - sanitation revenue	49,454	53,070	54,246	54,246	56,959	59,806	62,797
Rental of facilities and equipment	-	-	-	-	-	-	-
Interest earned - external investments	34,139	27,268	32,480	33,154	34,812	36,552	38,380
Interest earned - outstanding debtors	-	11,355	6,730	32,467	34,090	35,795	37,584
Transfers recognised - operational	561,748	565,322	600,325	653,859	633,215	691,131	738,263
Other revenue	2,573	3,296	64,942	1,042	1,444	1,499	1,556
Gains on disposal of PPE	6,989	-	200	200	200	200	200
Total Revenue (excluding capital transfers and contributions)	829,372	882,277	937,496	953,542	948,222	1,021,860	1,085,502

Figure 1 Main operating revenue categories for the 2019/20 financial year:-

Operating Revenue- Final budget 2019/20



	Service charges - water revenue	Service charges - sanitation revenue	Rental of facilities and equipment	Interest earned - external investments	Interest earned - outstanding debtors	Transfers recognised - operational	Other revenue	Gains on disposal of PPE
■ Budget Year 2019/20	187,503	56,959	—	34,812	34,090	633,215	1,444	200
■ Adjusted Budget	178,574	54,246	—	33,154	32,467	653,859	1,042	200

Table 4 Percentage growth in revenue by main revenue source :-

Chris Hani District Municipality Perc Growth in Operating Revenue by Source Final Budget 2019/20 MTREF							
Description			2019/20 Medium Term Revenue & Expenditure Framework				
R thousand	Adjusted Budget	%	Budget Year 2019/20	%	Budget Year + 2020/21	%	Budget Year + 2021/22
Revenue By Source							
Service charges - water revenue	178,574	5	187,503	5	196,878	5	206,722
Service charges - sanitation revenue	54,246	5	56,959	5	59,806	5	62,797
Rental of facilities and equipment	-	0	-	-	-	-	-
Interest earned - external investments	33,154	5	34,812	5	36,552	5	38,380
Interest earned - outstanding debtors	32,467	5	34,090	5	35,795	5	37,584
Transfers recognised - operational	653,859	(3)	633,215	9	691,131	7	738,263
Other revenue	1,042	39	1,444	4	1,499	4	1,556
Gains on disposal of PPE	200	-	200	-	200	-	200
Total Revenue (excluding capital transfers and contributions)	953,542	(1)	948,222	8	1,021,860	6	1,085,502

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement in order to achieve the correct calculation of the operating surplus/deficit.

Transfers recognised operational which are in fact operating grants, are the main source of revenue stream and constitute 66.7 % of the total operating revenue of the municipality amounting to R 633.2 million. In 2019/20 financial year, revenue from water services charges totalled R 187.5 million or 19.7 % of total operating revenue and sanitation services are 56.9 and constitute 6 % of the total operating revenue. The water revenue increases to R 196.8 and R 206.7 million in the respective outer financial years of the MTREF. The municipality has projected an annual decrease in revenue at 1 %, and an increase of 8 % and 6 % for the two outer years respectively, and is based on the assumption of the changes in the tariffs charged and improvement in the collection rate and accuracy of billing. An effective and efficient revenue enhancement strategy will improve the collection rate of the budgeted revenue by the municipality.

Services charges – water and sanitation revenue constitutes 25.7 % of the total operating revenue hence the need for the municipality to focus on the effective implementation of the credit control policy to improve the debt collection rate. The municipality is highly grant dependent as mentioned above hence the need to focus on the generation of own revenue for the long term financial sustainability.

Table 5: Operating Transfers and Grant Receipts:-

DC13 Chris Hani - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		582,133	522,956	513,982	562,896	578,543	-	601,794	657,515	704,450
Local Government Equitable Share		532,832	426,684	406,472	524,527	524,527		543,689	581,574	623,473
RSC Levy Replacement				-		-				
Finance Management		1,500	1,500	1,500	1,250	1,250		1,250	1,000	1,000
Municipal Systems Improvement		934	940	-		-				
Water Services Operating Subsidy				4,500	5,000	5,000		-	-	13,100
EPWP Incentive		9,124	5,213	7,797	6,158	6,158		4,642	-	-
Municipal Infrastructure Grant		37,743	88,619	93,713	25,961	41,608		52,213	74,941	66,877
Provincial Government:		9,365	9,130	34,050	33,229	64,916	-	31,421	33,616	33,813
Housing				-		31,687				
Dept of Roads and Transport				27,800	30,000	30,000		28,000	30,000	30,000
Health subsidy				-		-				
Health subsidy		6,386	6,114	3,153		-				
Municipal Infrastructure Grant		2,979	3,016	3,097	3,229	3,229		3,421	3,616	3,813
District Municipality:		130	810	593	-	-	-	-	-	-
L G S E T A		130	310	435						
COGTA			500	158						
Other grant providers:		-	-	-	4,200	10,400	-	-	-	-
ECONOMIC DEVELOPMENT					4,200	10,400		-		
Total Operating Transfers and Grants	5	591,628	532,896	548,626	600,325	653,859	-	633,215	691,131	738,263
Capital Transfers and Grants										
National Government:		576,943	702,158	494,219	471,919	580,217	-	424,611	665,067	561,827
Municipal Infrastructure Grant (MIG)		279,911	184,925	177,710	254,919	239,272		234,821	229,115	261,668
Regional Bulk Infrastructure		236,570	291,331	211,992	172,000	191,440		105,329	322,012	195,900
Rural Households Infrastructure						-				
EPWP/ Accelerated Comm Infrastru Prog						-				
Municipal Water Infrastructure Grant		48,528	85,225	69,987	45,000	149,506		84,461	113,940	104,259
Water Services Operating Grant		11,935	140,677	34,530						
Provincial Government:		-	9,347	23,862	-	-	-	-	-	-
DHS Unblocking			9,347	23,862						
District Municipality:		15,227	27,984	21,700	-	-	-	-	-	-
L G S E T A		15,227	27,904	21,700						
			80							
Other grant providers:		21,481	17,068	-	-	-	-	-	-	-
ECONOMIC DEVELOPMENT		21,481	17,068							
Total Capital Transfers and Grants	5	613,651	756,557	539,781	471,919	580,217	-	424,611	665,067	561,827
TOTAL RECEIPTS OF TRANSFERS & GRANTS		1,205,279	1,289,453	1,088,407	1,072,244	1,234,077	-	1,057,826	1,356,198	1,300,090

The table above is a breakdown of grant funding that is allocated to the municipality. This is an indication that, the municipality to be financially viable it mainly depends on grant funding for its operations. As depicted in Supporting Table SA18 above over the MTREF period there is going to be a slight increase in grants allocated to the municipality, this therefore requires the

municipality to fully implement strategies to improve on the billing and debt collection of consumer debtors; and the implementation of the cost containment measures to curb unnecessary expenditure.

1.2.1 Sale of Water and Impact of Tariff Increases:-

The municipality as a Water Services Authority and Provider is currently experiencing challenges in the billing, debt collection and implementation of the water tariffs across the district. National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure, that:

- Water tariffs are fully cost-reflective – including the cost of operating and maintenance of purification plants, water networks and the cost associated with reticulation expansion;
- Tariffs are structured such that they protect basic levels of service and ensure the provision of free services to the indigent; and
- Tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that Tariff structures are cost reflective by 2014 and to date the municipality has missed that deadline, as the cost of providing these services is higher than the billing and debt collection rate for the services referred to.

The municipality is a Water Services Authority (WSA) and Provider (WSP) therefore has to realise own revenue from rendering of water and sanitation services. The above allocations are not sufficient to maintain, repair and ensure the sustainability of the water infrastructure assets that should generate a revenue base for the municipality in order to cover operational and capital costs. Attached is **Annexure A**, indicating the breakdown of the tariffs to be implemented in recognising own revenue from water and sanitation services.

The municipality is reviewing the level and structure of water and sanitation tariffs carefully with a view to ensuring that:-

- Tariffs are on aggregate fully cost-reflective – inclusive of bulk cost of water, the cost of maintenance of purification/treatment plants and network infrastructure.

- Tariffs are structured to protect basic levels of service; and
- Tariffs are designed to encourage efficient and sustainable consumption (e.g. through inclining block tariffs).

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

1.3 Operating Expenditure Framework:-

The municipality's expenditure framework for the 2019/20 MTREF budget is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services;
- The municipality is striving to eliminate all non-priority spending; and
- The municipality is to implement the cost containment measures continuously.

The following table is a high level summary of the 2019/20 MTREF budget (classified per main type of operating expenditure):

Table 5 Summary of operating expenditure by standard classification item:-

Chris Hani District Municipality Operating Expenditure by Standard classification Final Budget 2019/20 MTREF							
Description	2016/17	2017/18	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2019/20	Budget Year + 2020/21	Budget Year + 2021/22
Expenditure By Type							
Employee related costs	249,004	293,468	308,843	308,843	337,874	351,554	384,600
Remuneration of councillors	9,577	11,162	11,071	12,845	13,902	14,597	15,327
Debt impairment	177,156	267,392	200,000	200,000	200,000	200,000	200,000
Depreciation & asset impairment	121,363	140,521	140,000	140,000	140,000	140,000	140,000
Finance charges	271	117	1,260	1,260	1,260	1,336	1,416
Bulk purchases	21,589	16,178	26,139	26,139	26,139	26,139	26,139
Contracted services	78,783	96,771	112,153	141,598	143,466	151,074	156,962
Transfers and grants	246,619	192,209	206,950	97,785	75,531	69,073	68,387
Other expenditure	224,652	184,018	218,850	351,135	314,036	340,421	340,421
Loss on disposal of PPE	-	-	-	-	-	-	-
Total Expenditure	1,129,015	1,201,835	1,225,266	1,279,605	1,252,209	1,294,194	1,333,252

The budgeted allocation for employee related costs for 2019/20 financial year totals R 337.8 million, which equals 26.9 % of the total operating expenditure. Based on the three year Salary and Wage Collective Agreement, salary increases have been factored into this budget at a percentage increase of 7% for the 2019/20 financial year. An annual increase of 6.9 % has been included in the two outer years of the MTREF. The municipality has also prioritised the filling of all vacant and critical posts within 2019/20 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the final budget.

Provision for depreciation and asset impairment has been informed by the municipality's Asset Management Policy and the recent audited financial statements. Depreciation is widely
May 2019

considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R 140 million for the 2019/20 financial year and equates to 11.2 % of the total operating expenditure.

Bulk purchases are directly informed by the purchase of water from Department of Water and Sanitation. The annual price increases have been factored into the budget appropriations and directly inform the expenditure provisions in line with current year expenditure and previous year audit outcomes. Bulk purchases constitute 2.1 % of the total operating expenditure. The municipality needs to implement a comprehensive activity based costing in the relationship between water purchases and the corresponding revenue receivable from the services rendered.

The municipality is currently constrained with capacity and skills issues in various departments hence the use of service providers to enhance business process flows. The municipality will be engaging on a revenue enhancement strategy, shared internal audit, security services and support for the preparation of the annual financial statements hence the use of consultants to assist with the processes. In 2019/20 financial year, this combined expenditure totals R 32.3 million and has decreased by 2.5 % compared to the third adjustment budget. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2019/20 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out.

Other expenditure comprises of various line items relating to daily operations of the municipality. This combined expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Other expenditure has decreased by 11 % for 2019/20 budget year, when compared to the third adjustment budget. Also included in other expenditure are equitable share funded IDP projects of various departments to the value of R 103.1 million that are linked to the SDBIP and repairs and maintenance amounting to R 112.1 million or 9 % of the total operating budget. Other expenditure constitutes 24.9 % of the total operating expenditure.

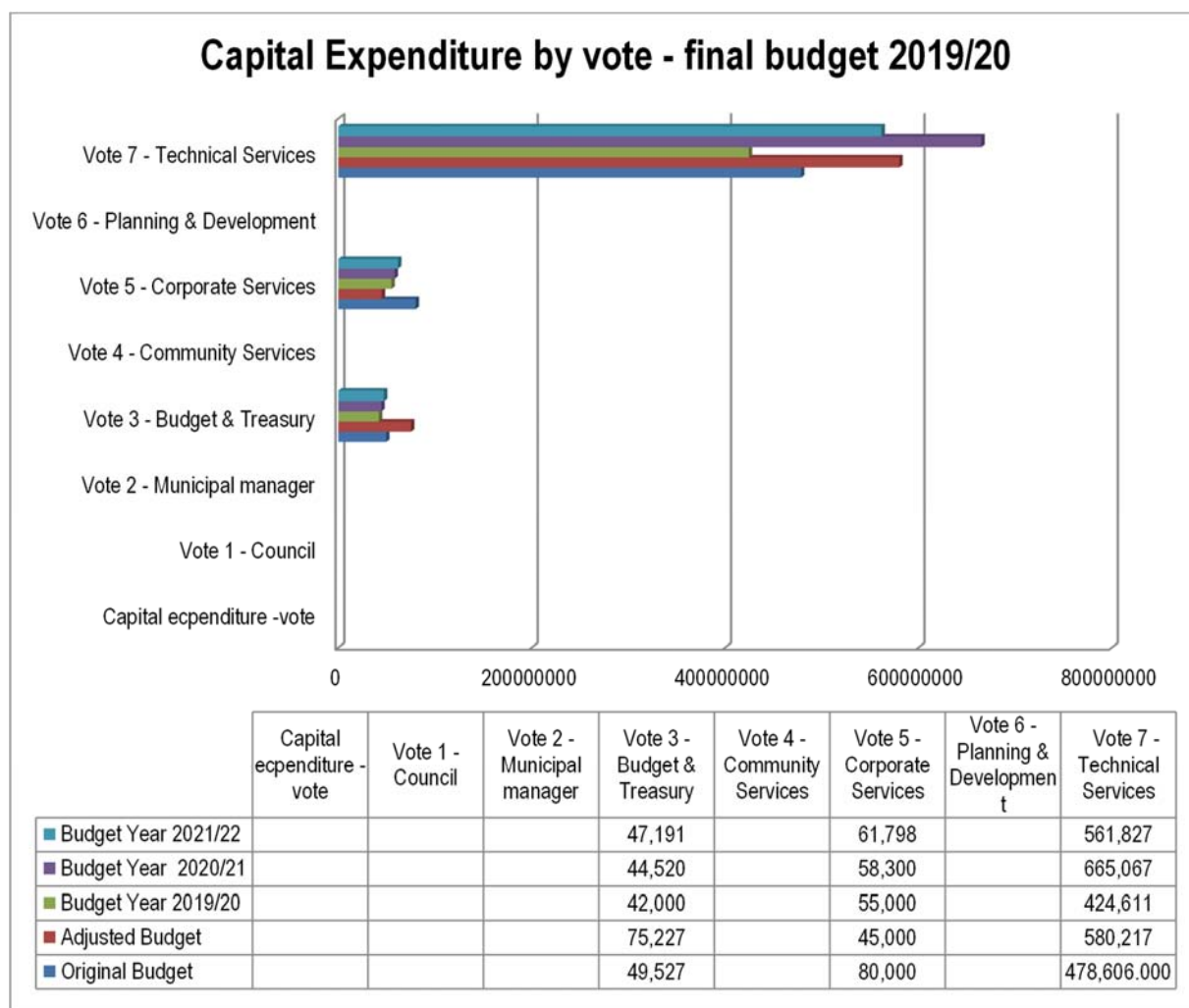
The provision for debt impairment is budgeted for at R 200 million in 2019/20 financial year and constitutes 15.9 % of the total operating expenditure. This was determined based on an estimated collection rate of 20 % and the Debt Write-off Policy of the municipality. While this expenditure is

a non-cash item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

The transfers and grants amount to R 75.5 million and this comprises of operating grants funding expenditure, a subsidy to Chris Hani Development Agency of R 27.9 million as the operating grant to the agency, R 2 million for bursary fund and R 500 thousand for adopted schools.

The following graph gives a breakdown of the main expenditure categories for 2019/20 budget year :-

Figure 2: Main operational expenditure categories for the 2019/20 financial year:-



1.3.1 Free Basic Services: Indigent Support :-

The indigent support assists households that are poor or face other circumstances that limit their ability to pay for municipal services. To receive these free basic services the households are required to register in terms of the municipality's indigent policy in respect to the water and sanitation services. The district municipality will have an ongoing indigent registration programme

and data cleansing will be conducted as part of the revenue enhancement strategy so as to provide for the indigent households, this process is being reviewed annually. Detail relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement) and supporting table SA9.

The cost of the indigent support to the registered indigent households is largely financed by National government through the local government equitable share received in terms of the annual Division of Revenue Act.

The basic services component provides a subsidy of R 408.61 per month in 2019/20 for the cost of providing basic services to each of these households. The subsidy includes funding for the provision of free basic water (6 kilolitres per poor household per month), energy (50 kilowatt-hours per month) sanitation and refuse (based on service levels defined by national policy). The monthly amount provided for each service is detailed in Table W1.22 below and includes an allocation of 10 % for service maintenance costs that is incurred by the municipality. Applicable to Chris Hani district municipality would be a subsidy of R 236.20 per indigent household per month that excludes the energy and refuse components.

Table W1.22 Amounts per basic service allocated through the local government equitable share 2019/20			
	Allocation per household below affordability threshold (R per month)		
	Operations	Maintenace	Total
Energy	78.73	8.75	87.48
Water	121.39	13.49	134.88
Sanitation	91.19	10.13	101.32
Refuse	76.44	8.49	84.93
Total basic services	367.75	40.86	408.61
Source: National Treasury			

1.4 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:-

Table 6: 2019/20 Medium-term capital budget per vote :-

Chris Hani District Municipality Capital Expenditure by vote Final Budget 2019/20 MTREF					
Description	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
Capital expenditure -vote					
Multi-year expenditure to be appropriated					
<u>Vote 7 - Technical Services</u>	478,606	580,217	424,611	665,067	561,827
Capital multi-year expenditure sub-total	478,606	580,217	424,611	665,067	561,827
Single-year expenditure to be appropriated					
Vote 1 - Council					
Vote 2 - Municipal manager					
Vote 3 - Budget & Treasury	25,000	44,000	22,500	15,000	15,000
Vote 4 - Community Services					
Vote 5 - Corporate Services	55,000	25,000	72,500	85,000	–
Vote 6 - Planning & Development					
Capital single-year expenditure sub-total	80,000	69,000	95,000	100,000	15,000
Total Capital expenditure-vote	558,606	649,217	519,611	765,067	576,827

For 2019/20 an amount of R 424.6 million has been appropriated for the development of infrastructure which represents 81.7 % of the total capital budget. In the outer years this amount totals to R 665.1 million or 86.9 % and R 561.8 million, 97.4 % of total capital expenditure of the two outer years respectively. The municipality provides water and sanitation services and currently has service delivery backlogs and infrastructure backlogs hence the capital funding is never sufficient to eradicate the backlogs. It is therefore essential for the municipality to explore and enhance the own revenue capabilities to contribute on the improvement of infrastructure.

Council out of its reserves has made a provision of R 95 million for 2019/20, R 100 million and R 15 million for the two outer years to deal with fleet shortages, CHDM Village and improve on tools of trade.

These reserves are generated through VAT claimed from conditional grants and interest raised on investment of funds that are not immediately required.

1.5 Annual Budget Tables - Parent Municipality

The following pages present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/20 budget and MTREF as tabled before Council. Each table is accompanied by *explanatory notes*.

Table 7 MBRR Table A1 - Budget Summary :-**DC13 Chris Hani - Table A1 Consolidated Budget Summary**

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	335,760	223,923	275,036	232,820	232,820	232,820	-	244,461	256,684	269,519
Investment revenue	38,464	36,705	29,197	32,480	33,154	32,480	-	34,812	36,552	38,380
Transfers recognised - operational	591,628	532,896	548,626	600,325	653,859	606,525	-	633,215	691,131	738,263
Other own revenue	76,700	38,573	31,822	71,871	33,709	32,667	-	35,734	37,493	39,340
Total Revenue (excluding capital transfers and contributions)	1,042,551	832,097	884,682	937,496	953,542	904,492	-	948,222	1,021,860	1,085,502
Employee costs	244,414	259,776	306,519	308,843	308,843	308,843	-	337,874	351,554	384,600
Remuneration of councillors	9,631	9,577	11,162	11,071	12,845	12,845	-	13,902	14,597	15,327
Depreciation & asset impairment	158,329	121,883	142,068	140,000	140,000	140,000	-	140,000	140,000	140,000
Finance charges	737	-	-	1,260	1,260	1,260	-	1,260	1,336	1,416
Materials and bulk purchases	73,684	21,771	16,225	26,139	26,139	26,139	-	26,139	26,139	26,139
Transfers and grants	210,881	228,939	172,529	175,942	97,785	97,785	-	75,531	69,073	68,387
Other expenditure	724,148	506,447	586,665	543,003	692,733	692,733	-	657,502	691,495	697,383
Total Expenditure	1,421,824	1,148,393	1,235,168	1,206,257	1,279,604	1,279,604	-	1,252,209	1,294,194	1,333,252
Surplus/(Deficit)	(379,273)	(316,296)	(350,487)	(268,761)	(326,062)	(375,112)	-	(303,987)	(272,334)	(247,750)
Transfers and subsidies - capital (monetary allocated)	613,651	756,557	539,781	471,919	580,217	580,217	-	424,611	665,067	561,827
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	234,378	440,261	189,294	203,158	254,155	205,105	-	120,624	392,734	314,077
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	234,378	440,261	189,294	203,158	254,155	205,105	-	120,624	392,734	314,077
Capital expenditure & funds sources										
Capital expenditure	622,119	672,135	401,168	551,919	631,351	631,351	-	519,611	765,067	576,827
Transfers recognised - capital	601,160	621,630	395,885	471,919	534,351	534,351	-	424,611	665,067	561,827
Public contributions & donations	81	-	80	-	32,000	32,000	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	20,959	50,505	20,014	80,000	65,000	65,000	-	95,000	100,000	15,000
Total sources of capital funds	622,200	672,135	415,979	551,919	631,351	631,351	-	519,611	765,067	576,827

Explanatory notes to MBRR Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the municipality budget from all of the major financial perspectives (operating, capital, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminate basic service delivery backlogs.

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating deficit (after Total Expenditure) is negative over the MTREF increasing into the outer years.
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Internally generated funds are financed from accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing activities on the Cash Flow Budget. .
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the collection rate of the revenue from water and sanitation services is very low and needs to be enhanced.

Even though Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of providing basic services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs though not at a larger scale as it is grant dependent. The municipality has to ensure that it improves the billing and collection of the revenue from water and sanitation services so as to have cash available to fund service delivery and infrastructure backlogs.

Table 11 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

DC13 Chris Hani - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	293,631	174,470	221,966	178,574	178,574	178,574	–	187,503	196,878	206,722
Service charges - sanitation revenue	2	42,129	49,454	53,070	54,246	54,246	54,246	–	56,959	59,806	62,797
Service charges - refuse revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - other											
Rental of facilities and equipment											
Interest earned - external investments		38,464	36,705	29,197	32,480	33,154	32,480		34,812	36,552	38,380
Interest earned - outstanding debtors		–	–	11,355	6,730	32,467	32,467		34,090	35,795	37,584
Dividends received											
Fines, penalties and forfeits											
Licences and permits											
Agency services			28,852	16,696							
Transfers and subsidies		591,628	532,896	548,626	600,325	653,859	606,525		633,215	691,131	738,263
Other revenue	2	76,700	2,733	3,771	64,942	1,042	–	–	1,444	1,499	1,556
Gains on disposal of PPE			6,989		200	200	200		200	200	200
Total Revenue (excluding capital transfers and contributions)		1,042,551	832,097	884,682	937,496	953,542	904,492	–	948,222	1,021,860	1,085,502
Expenditure By Type											
Employee related costs	2	244,414	259,776	306,519	308,843	308,843	308,843	–	337,874	351,554	384,600
Remuneration of councillors		9,631	9,577	11,162	11,071	12,845	12,845		13,902	14,597	15,327
Debt impairment	3	522,558	177,156	267,392	200,000	200,000	200,000		200,000	200,000	200,000
Depreciation & asset impairment	2	158,329	121,883	142,068	140,000	140,000	140,000	–	140,000	140,000	140,000
Finance charges		737	–	–	1,260	1,260	1,260		1,260	1,336	1,416
Bulk purchases	2	22,585	21,589	16,178	26,139	26,139	26,139	–	26,139	26,139	26,139
Other materials	8	51,099	182	47							
Contracted services		12,095	79,420	115,123	124,153	141,598	141,598	–	143,466	151,074	156,962
Transfers and subsidies		210,881	228,939	172,529	175,942	97,785	97,785	–	75,531	69,073	68,387
Other expenditure	4, 5	187,934	249,872	191,626	218,850	351,135	351,135	–	314,036	340,421	340,421
Loss on disposal of PPE		1,561		12,524							
Total Expenditure		1,421,824	1,148,393	1,235,168	1,206,257	1,279,604	1,279,604	–	1,252,209	1,294,194	1,333,252
Surplus/(Deficit)		(379,273)	(316,296)	(350,487)	(268,761)	(326,062)	(375,112)	–	(303,987)	(272,334)	(247,750)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		613,651	756,557	539,781	471,919	580,217	580,217		424,611	665,067	561,827
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		234,378	440,261	189,294	203,158	254,155	205,105	–	120,624	392,734	314,077

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure):-

1. Total revenue is R 948.2 million in 2019/20 and escalates to R 1 085.5 billion by 2021/22. This represents a year-on-year increase of 8 % for 2020/21 financial year and 6 % for 2021/22 financial year.
2. Revenue to be generated from water and sanitation services is R 244.5 million in 2019/20 financial year and increases to R 269.5 million by 2021/22 and represents 25.8 % of the total operating revenue and therefore indicating that the municipality is heavily grant dependent. It remains relatively constant over the medium-term, this income stream is the revenue base of the municipality that must improve moving into the future.
3. Transfers recognised – operating, includes the local government equitable share and other operating grants from national and provincial government. These grants form 66.8 % of the total revenue base of the municipality therefore an indication that the municipality has to focus on the billing and collection of own revenue to have a better cash flow position.
4. The following graph illustrates the major revenue items per type.
5. Employee related costs are the major cost driver for the municipality at 27 % of the total operating expenditure budget. These costs have increased significantly over the years due to the filling of vacancies that existed in the municipality and also annual increase in line with the collective agreement of the bargaining council. The water and sanitation take over has also influenced this cost as employees that were in local municipalities have been transferred to the district municipality and are in a process of being integrated to the municipality.
6. The table above reflects an overall decrease of 2 % in the final budget for operating expenditure when compared to the third adjustment budget.
 - The decrease was influenced by the following expenditure items:-
 - ✓ Transfers and grants by -23 % ;and
 - ✓ Other expenditure by -11 %.

- The following expenditure items have however increased :-
 - ✓ Employee related costs by 9 %;
 - ✓ Remuneration of Councillors by 8 %; and
 - ✓ Contracted services by 1 %.

Table 12: MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding sources :-

DC13 Chris Hani - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury		4,556	15,008	8,727	25,000	32,000	32,000	-	-	-	-
Vote 4 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Corporate Services		-	35,497	11,367	55,000	65,000	65,000	-	-	-	-
Vote 6 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 7 - Technical Services		617,564	621,630	381,074	471,919	534,351	534,351	-	424,611	665,067	561,827
Vote 8 - Roadworks		-	-	-	-	-	-	-	-	-	-
9.10 - Indirect		-	-	14,812	-	-	-	-	-	-	-
10.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
11.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
12.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
13.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
14.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
15.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	622,119	672,135	415,979	551,919	631,351	631,351	-	424,611	665,067	561,827
Single-year expenditure to be appropriated	2										
Vote 1 - Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury		-	-	-	-	-	-	-	22,500	15,000	15,000
Vote 4 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Corporate Services		-	-	-	-	-	-	-	72,500	85,000	-
Vote 6 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 7 - Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 8 - Roadworks		-	-	-	-	-	-	-	-	-	-
9.10 - Indirect		-	-	-	-	-	-	-	-	-	-
10.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
11.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
12.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
13.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
14.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
15.10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total									95,000	100,000	15,000
Total Capital Expenditure - Vote		622,119	672,135	415,979	551,919	631,351	631,351	-	519,611	765,067	576,827
Capital Expenditure - Functional											
Governance and administration		4,556	50,505	20,094	80,000	97,000	97,000	-	95,000	100,000	15,000
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		4,556	15,008	8,727	25,000	32,000	32,000	-	15,000	15,000	15,000
Internal audit		-	35,497	11,367	55,000	65,000	65,000	-	80,000	85,000	-
Community and public safety		-	-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		617,564	621,630	381,074	471,919	534,351	534,351	-	424,611	665,067	561,827
Energy sources		-	-	-	-	-	-	-	-	-	-
Water management		617,564	575,262	357,781	471,919	534,351	534,351	-	424,611	665,067	561,827
Waste water management		-	46,368	23,293	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	622,119	672,135	401,168	551,919	631,351	631,351	-	519,611	765,067	576,827
Funded by:											
National Government		601,160	621,630	395,885	471,919	534,351	534,351	-	424,611	665,067	561,827
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	601,160	621,630	395,885	471,919	534,351	534,351	-	424,611	665,067	561,827
Public contributions & donations	5	81	-	80	-	32,000	32,000	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		20,959	50,505	20,014	80,000	65,000	65,000	-	95,000	100,000	15,000
Total Capital Funding	7	622,200	672,135	415,979	551,919	631,351	631,351	-	519,611	765,067	576,827

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source:-

1. Table A5 is a breakdown of the capital programmes in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2019/20, R 424.6 million has been allocated, which totals to 81.7 % of total capital budget. This allocation increases to R 665.1 million in 2020/21 and decreases to R 561.8 million in 2021/22.
3. Single-year capital expenditure has been appropriated at R 95 million for the 2019/20 financial year, increases to R 100 million in 2020/21 and decreases drastically to R 15 million in 2021/22 budget years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles, CHDM Village, furniture and office equipment, specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from National and provincial grants transfers. For 2019/20, capital transfers totals R 476.8 million (100 %) and increase to R 740 million in 2020/21 (36 %) and then decrease to R 641.8 (13) in 2021/22. The municipality is solely dependent on grant funding to fund the capital budget, to improve its infrastructure and deal with basic services backlogs.

Table 13 MBRR Table A6 - Budgeted Financial Position-

DC13 Chris Hani - Table A6 Consolidated Budgeted Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
Current assets											
Cash		363,492	235,947	276,606	342,000	342,000	342,000		342,000	348,840	355,817
Call investment deposits	1	–	–	–	–	–	–	–	1,500	1,500	1,500
Consumer debtors	1	152,551	160,422	113,353	248,471	248,471	248,471	–	248,471	258,410	268,746
Other debtors		39,663	151,775	61,251	248,471	248,471	248,471		133,155	138,482	144,021
Current portion of long-term receivables											
Inventory	2	7,066	11,042	16,342	133,155	133,155	133,155		8,084	8,407	8,743
Total current assets		562,772	559,185	467,552	972,098	972,097	972,097	–	733,210	755,638	778,827
Non current assets											
Long-term receivables											
Investments											
Investment property											
Investment in Associate					1,500	1,500					
Property, plant and equipment	3	3,416,265	3,965,880	4,240,795	4,825,109	4,825,109	4,825,109	–	4,825,109	5,120,291	5,317,201
Agricultural											
Biological											
Intangible		501	3,889	2,423	350	350	350		350	364	379
Other non-current assets											
Total non current assets		3,416,767	3,969,768	4,243,218	4,826,959	4,826,959	4,825,459	–	4,825,459	5,120,655	5,317,579
TOTAL ASSETS		3,979,539	4,528,953	4,710,770	5,799,056	5,799,056	5,797,556	–	5,558,669	5,876,293	6,096,406
LIABILITIES											
Current liabilities											
Bank overdraft	1		33,854	13,423							
Borrowing	4	–	–	–	–	–	–	–	–	–	–
Consumer deposits		122	215	329	225	225	225		225	239	253
Trade and other payables	4	179,357	271,396	298,751	99,836	99,836	–	–	103,830	107,983	112,302
Provisions		8,686	9,366	11,072	9,937	9,555	9,555		9,937	10,335	10,748
Total current liabilities		188,165	314,831	323,574	109,999	109,617	9,780	–	113,992	118,557	123,304
Non current liabilities											
Borrowing		–	–	–	–	–	–	–	–	–	–
Provisions		37,297	4,325	42,341	44,855	49,509	–	–	51,489	53,548	55,690
Total non current liabilities		37,297	4,325	42,341	44,855	49,509	–	–	51,489	53,548	55,690
TOTAL LIABILITIES		225,463	319,156	365,915	154,854	159,125	9,780	–	165,481	172,105	178,994
NET ASSETS	5	3,754,076	4,209,797	4,344,855	5,644,203	5,639,931	5,787,776	–	5,393,187	5,704,188	5,917,412
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		3,656,088	4,209,797	4,344,855	5,644,203	5,639,931	5,787,776		5,393,187	5,704,188	5,917,412
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	3,656,088	4,209,797	4,344,855	5,644,203	5,639,931	5,787,776	–	5,393,187	5,704,188	5,917,412

Explanatory notes to Table A6 - Budgeted Financial Position:-

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability by council and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 6 is supported by an extensive table of notes in supporting table SA3 providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Non-current provisions ;
 - Changes in net assets; and
 - Reserves.
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for debt impairment. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position for the MTREF.

Table 14 MBRR Table A7 - Budgeted Cash Flow Statement :-

DC13 Chris Hani - Table A7 Consolidated Budgeted Cash Flows

Description		Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates										-	-	-
Service charges			93,386	44,723	108,767	88,100	65,625	65,625		88,100	91,624	95,289
Other revenue				32,305	18,777	47,853	76,951	76,951		820	861	904
Government - operating		1	590,775	532,896	548,626	600,325	644,557	644,557		601,554	656,574	701,350
Government - capital		1	667,208	756,557	539,781	471,919	540,260	540,260		403,381	631,814	533,735
Interest			38,464	36,705	40,553	34,580	33,154	33,154		34,580	35,963	37,402
Dividends										-	-	-
Payments												
Suppliers and employees			(548,701)	(867,343)	(640,293)	(1,240,975)	(405,843)	(405,843)		(646,538)	(685,239)	(716,855)
Finance charges			(737)	(271)	(117)	(1,260)				(945)	(1,002)	(1,062)
Transfers and Grants		1	(210,881)	(228,939)	(139,393)	(175,942)	(190,237)	(190,237)		(56,649)	(51,805)	(51,291)
NET CASH FROM/(USED) OPERATING ACTIVITIES			629,512	306,631	476,701	(175,400)	764,468	764,468	-	424,304	678,791	599,474
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE										160	160	160
Decrease (Increase) in non-current debtors										-	-	-
Decrease (increase) other non-current receivables										-	-	-
Decrease (increase) in non-current investments										1,500	1,500	1,500
Payments												
Capital assets			(598,597)	(622,125)	(724,644)	(580,691)	(540,260)			(311,767)	(459,040)	(346,096)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(598,597)	(622,125)	(724,644)	(580,691)	(540,260)	-	-	(310,107)	(457,380)	(344,436)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans										-	-	-
Borrowing long term/refinancing										-	-	-
Increase (decrease) in consumer deposits										-	-	-
Payments												
Repayment of borrowing										-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD			30,915	(315,494)	(247,943)	(756,091)	224,208	764,468	-	114,197	221,410	255,038
Cash/cash equivalents at the year begin:		2	365,470	356,162	363,492	432,849	432,849			145,300	259,497	480,908
Cash/cash equivalents at the year end:		2	396,385	40,668	115,550	(323,242)	657,057	764,468	-	259,497	480,908	735,945

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality slightly increase over the years 2019/20 to 2021/22 due to the average increase in Equitable Share and conditional grants allocations received by the municipality and increased operating expenditure levels.
4. Further the municipality needs to take into consideration a realistic collection rate as this has implications on the funding of the budget.
5. The final 2019/20 MTREF provides for a further net decrease in cash of R 114.2 million.

6. The 2019/20 MTREF has been informed by the planning principle of a 20 % collection rate on water and sanitation services revenue.
7. Cash and cash equivalents totals R 259.5 million as at the end of 2019/20 financial year and increases to R 735.9 million by 2021/22.

ANNEXURE A



The Chris Hani District Municipality as a Water Services Authority and Provider delivers the service in the area of the six (formerly eight) local municipal areas within its jurisdiction.

The National Treasury is encouraging all Municipalities to implement tariff structure that reflect the following;

- Water tariffs that are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs that are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs that are designed to encourage efficient and sustainable consumption.

Chris Hani District Municipality as a Water Services Provider therefore has to raise sufficient own revenue from the rendering of water and sanitation services. The proposed tariff increase below is based on the guidelines provided by the National Treasury for the 2018/2019 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK. In terms of the proposal, the increase should be linked to the consumer price index (CPI) which is estimated to be 5.2% for 2019/ 2020.

The tariffs will be applicable for the following period;

Start date: 01 JULY 2019

End date: 30 JUNE 2020

1. TARIFFS: WATER SUPPLY SERVICES AND INCIDENTAL CHARGES

The amounts due for water services for the 2019/2020 financial year be paid on dates as indicated on accounts which will be rendered from 1 July 2019.

-  The Sewerage Charges will be linked to the account where either a waterborne sewer connection or septic tank sewer is available.
-  Reference to “per month” in the tariffs is based on a meter reading period of 30 days with regard to the calculation of a charge for the free consumption portion.
-  Use is the determining factor for tariff application but where a mixed use occurs on any given property the property zoning will be the determining factor in the tariff Application.
-  ALL TARIFFS LISTED BELOW OR TO BE CALCULATED IN TERMS OF THIS SCHEDULE OF TARIFFS **INCLUDE VAT.**

1.1 WATER TARIFFS

Charges shall be levied in respect of each separate connection for water. The tariffs relating to consumption of water will be levied as from 01 July 2019 on all accounts linked to water and accounts opened after July 2019 will be levied for the applicable period of the year.

1.2 CONSUMPTION TARIFFS BASED ON WATER RELATED SERVICES

The tariffs listed under this section shall be payable where water, used solely for household purposes, including temporarily connections for this purpose, has been supplied. In the case of hostels and old age homes, every 4 beds shall be deemed to be a residential unit. Where the Housing Department officially accommodates two or three beneficiaries (families) per stand, each beneficiary (family) is deemed to be a residential unit.

1.3 Domestic/ Household water use

This tariff is only applicable to properties used exclusively for household purposes. In the event that a small business is conducted as a primary right in terms of a Town Planning Scheme, or home enterprise in terms of the Council's policy, from a property used for household purposes, and the connection size is either a 15mm or 20mm connection, the tariffs in the table below shall apply. However, any connection which is greater than 20mm and the property is not exclusively used for residential purposes, shall be charged in terms of the tariffs. Spaza Shops, defined as an area of a dwelling unit and or associated immovable outbuilding not more than 20m² in extent, used by the occupant of such a dwelling unit for the purposes of selling basic household goods, is also included in this tariff, provided the connection size is either a 15mm or 20mm connection.

CURRENT TARIFFS CHARGED FOR JULY 2018 - JUNE 2019		PROPOSED INCREASE FOR JULY 2019 - JUNE 2020		PROPOSED TARIFFS FOR JULY 2019 - JUNE 2020	
TARIFFS	CURRENT TARIFF FOR 2018/2019 VAT EXCLUSIVE	PROPOSED INCREASE OF 5.2 %	PROPOSED TARIFF FOR 2019/2020 VAT EXCLUSIVE	PROPOSED TARIFF FOR 2019/2020 VAT AMOUNT AT 15 %	PROPOSED TARIFF FOR 2019/2020 VAT INCLUSIVE AT 15 %
WATER					
Water Consumption (Domestic use)					
0-6	8.55	0.44	8.99	1.35	10.34
7-15	9.89	0.51	10.40	1.56	11.96
16-30	12.11	0.63	12.74	1.91	14.65
31-45	15.08	0.78	15.86	2.38	18.24
46-60	16.48	0.86	17.34	2.60	19.94
61 or more	18.60	0.97	19.57	2.94	22.50

Tariff structure for domestic use

1.4 Institutional water use

Properties zoned as business, government and municipalities etc. will be charged using this tariff

CURRENT TARIFFS CHARGED FOR JULY 2018 - JUNE 2019		PROPOSED INCREASE FOR JULY 2019 - JUNE 2020		PROPOSED TARIFFS FOR JULY 2019 - JUNE 2020	
TARIFFS	CURRENT TARIFF FOR 2018/2019 VAT EXCLUSIVE	PROPOSED INCREASE OF 5.2 %	PROPOSED TARIFF FOR 2019/2020 VAT EXCLUSIVE	PROPOSED TARIFF FOR 2019/2020 VAT AMOUNT AT 15 %	PROPOSED TARIFF FOR 2019/2020 VAT INCLUSIVE AT 15 %
Water Consumption (Institutional, etc)					
0-200kls per month	10.10	0.52	10.62	1.59	12.21
201-2500 kl per month	11.17	0.58	11.75	1.76	13.51
2501 or more kl per month	12.23	0.64	12.86	1.93	14.79
Water Consumption (Business & other use)					
0 – 5 000 kl / month	12.97	0.67	13.64	2.05	15.69
5001 -25000 kl / month	13.17	0.69	13.86	2.08	15.94
25 001- 50000 kl/month	13.39	0.70	14.09	2.11	16.20
50 001- or more kl / month	13.39	0.70	14.09	2.11	16.20

1.5 Basic / Availability charges

May 2019

Basic charges are applicable to all registered properties where water and sanitation (excluding properties supplied with septic tanks) services are supplied.

CURRENT TARIFFS CHARGED FOR JULY 2018 - JUNE 2019		PROPOSED INCREASE FOR JULY 2019 - JUNE 2020		PROPOSED TARIFFS FOR JULY 2019 - JUNE 2020	
TARIFFS	CURRENT TARIFF FOR 2018/2019 VAT EXCLUSIVE	PROPOSED INCREASE OF 5.2 %	PROPOSED TARIFF FOR 2019/2020 VAT EXCLUSIVE	PROPOSED TARIFF FOR 2019/2020 VAT AMOUNT AT 15 %	PROPOSED TARIFF FOR 2019/2020 VAT INCLUSIVE AT 15 %
Water Consumption (no meter/unread meter) - Flat Rate Per Month					
Domestic/Household	89.77	4.67	94.44	14.17	108.61
Institutional	116.71	6.07	122.78	18.42	141.20
Business & other	125.69	6.54	132.22	19.83	152.06
Water Basic (Availability) - Flat Rate Per Month					
Domestic	89.77	4.67	94.44	14.17	108.61
Institutional	116.71	6.07	122.78	18.42	141.20
Business	125.69	6.54	132.22	19.83	152.06

1.6 Water Delivery

These tariffs are applicable for trucked water.

CURRENT TARIFFS CHARGED FOR JULY 2018 - JUNE 2019		PROPOSED INCREASE FOR JULY 2019 - JUNE 2020		PROPOSED TARIFFS FOR JULY 2019 - JUNE 2020	
TARIFFS	CURRENT TARIFF FOR 2018/2019 VAT EXCLUSIVE	PROPOSED INCREASE OF 5.2 %	PROPOSED TARIFF FOR 2019/2020 VAT EXCLUSIVE	PROPOSED TARIFF FOR 2019/2020 VAT AMOUNT AT 15 %	PROPOSED TARIFF FOR 2019/2020 VAT INCLUSIVE AT 15 %
Water Delivery					
Labour - Charged per person	44.30	2.30	46.60	6.99	53.59
Travel Expenses - Charged per kilometer	7.90	0.41	8.31	1.25	9.55
Charge per Load	424.00	22.05	446.05	66.91	512.96

2 SANITATION TARIFFS

A flat rate shall be levied in respect of each household / business / institution relating to sanitation. The tariffs applicable for sanitation services shall apply from 01 July 2019 and accounts opened after July 2019 will be levied for the applicable period of the year. Properties that use septic tank are charged per removal which include charges per kilometre.

CURRENT TARIFFS CHARGED FOR JULY 2018 - JUNE 2019		PROPOSED INCREASE FOR JULY 2019 - JUNE 2020		PROPOSED TARIFFS FOR JULY 2019 - JUNE 2020	
TARIFFS	CURRENT TARIFF FOR 2018/2019 VAT EXCLUSIVE	PROPOSED INCREASE OF 5.2 %	PROPOSED TARIFF FOR 2019/2020 VAT EXCLUSIVE	PROPOSED TARIFF FOR 2019/2020 VAT AMOUNT AT 15 %	PROPOSED TARIFF FOR 2019/2020 VAT INCLUSIVE AT 15 %
SANITATION					
Basic Charge per Month (Flat Rate)					
Domestic / Households	R 59.16	R 3.08	R 62.23	R 9.33	R 71.57
Business	R 97.51	R 5.07	R 102.58	R 15.39	R 117.97
Government	R 98.43	R 5.12	R 103.55	R 15.53	R 119.09
Churches, Hotels, Schools & Hospitals	R 92.86	R 4.83	R 97.69	R 14.65	R 112.34
Honey Sucker / Sewerage Removal					
Labour - Charged per person	R 44.30	R 2.30	R 46.60	R 6.99	R 53.59
Travel Expenses - Charged per kilometer	R 7.90	R 0.41	R 8.31	R 1.25	R 9.55
Charge per Load	R 424.00	R 22.05	R 446.05	R 66.91	R 512.96

CURRENT TARIFFS CHARGED FOR JULY 2018 - JUNE 2019		PROPOSED INCREASE FOR JULY 2019 - JUNE 2020		PROPOSED TARIFFS FOR JULY 2019 - JUNE 2020	
TARIFFS	CURRENT TARIFF FOR 2018/2019 VAT EXCLUSIVE	PROPOSED INCREASE OF 5.2 %	PROPOSED TARIFF FOR 2019/2020 VAT EXCLUSIVE	PROPOSED TARIFF FOR 2019/2020 VAT AMOUNT AT 15 %	PROPOSED TARIFF FOR 2019/2020 VAT INCLUSIVE AT 15 %
Night-Soil Removals Per Load					
Night-Soil Removals (Buckets)	R 64.77	R 3.37	R 68.14	R 10.22	R 78.36
Unblocking of Drains on Customer Properties					
Domestic	R 107.86	R 5.61	R 113.47	R 17.02	R 130.49
Business	R 193.33	R 10.05	R 203.38	R 30.51	R 233.89
Government	R 212.67	R 11.06	R 223.73	R 33.56	R 257.29
New Sewer Connection					
100mm Sewer Connection	R 1,233.18	R 64.13	R 1,297.31	R 194.60	R 1,491.90
150mm Sewer Connection	R 1,519.28	R 79.00	R 1,598.28	R 239.74	R 1,838.02

3.0 Other Tariffs

3.1 Water infrastructure related tariffs

CURRENT TARIFFS CHARGED FOR JULY 2018 - JUNE 2019		PROPOSED INCREASE FOR JULY 2019 - JUNE 2020		PROPOSED TARIFFS FOR JULY 2019 - JUNE 2020	
TARIFFS	CURRENT TARIFF FOR 2018/2019 VAT EXCLUSIVE	PROPOSED INCREASE OF 5.2 %	PROPOSED TARIFF FOR 2019/2020 VAT EXCLUSIVE	PROPOSED TARIFF FOR 2019/2020 VAT AMOUNT AT 15 %	PROPOSED TARIFF FOR 2019/2020 VAT INCLUSIVE AT 15 %
Water Combination Meters					
50mm	32,547.07	1,692.45	34,239.52	5,135.93	39,375.44
80mm	35,493.88	1,845.68	37,339.56	5,600.93	42,940.49
100mm	43,626.94	2,268.60	45,895.54	6,884.33	52,779.87
150mm	69,243.54	3,600.66	72,844.20	10,926.63	83,770.83
Main Meter Connection (incl road crossing)					
15mm	2,240.44	116.50	2,356.95	353.54	2,710.49
15mm WCM	3,225.01	167.70	3,392.71	508.91	3,901.62
25mm	4,180.97	217.41	4,398.38	659.76	5,058.14
Main Meter Connection (excl road crossing)					
15mm	1,705.74	88.70	1,794.44	269.17	2,063.60
15mm WCM	2,729.77	141.95	2,871.72	430.76	3,302.48
ILLEGAL CONNECTIONS PENALTIES					
DOMESTIC	4,938.64	256.81	5,195.45	779.32	5,974.77
BUSINESS	10,063.73	523.31	10,587.04	1,588.06	12,175.10
READING METERS	232.83	12.11	244.93	36.74	281.67
DISCONNECTION AND RESTRICTION FEES					
DELIVERY OF NOTICES	76.96	4.00	80.96	12.14	93.10
Installation of Water Mgt Meter (15mm) Domestic	2,654.79	138.05	2,792.84	418.93	3,211.77
Disconnect the service	824.76	42.89	867.64	130.15	997.79
Adjust the Water Mgt Meter (15mm) Domestic	433.10	22.52	455.62	68.34	523.96
Installation of Water Mgt Meter (15mm) Business & other	2,654.79	138.05	2,792.84	418.93	3,211.77
Terminate - Business & other	824.76	42.89	867.64	130.15	997.79
Re-instate - Business & other	824.76	42.89	867.64	130.15	997.79
Adjust the Water Mgt Meter (15mm) Business & other	433.10	22.52	455.62	68.34	523.96
DAMAGES TO THE MUNICIPAL WATER PIPE SYSTEM					
Pipes with diameter 50mm or less	6,028.77	313.50	6,342.26	951.34	7,293.60
Pipes with diameter between 50mm and 100mm	12,058.52	627.04	12,685.56	1,902.83	14,588.40
Pipes with diameter between 100mm and 250mm	18,087.30	940.54	19,027.84	2,854.18	21,882.01
Pipes with diameter between 250mm and 400mm	24,117.05	1,254.09	25,371.14	3,805.67	29,176.81
Pipes with diameter between 400mm and 700mm	48,234.10	2,508.17	50,742.28	7,611.34	58,353.62
Pipes with diameter greater than 700mm	66,321.40	3,448.71	69,770.11	10,465.52	80,235.63

3.2 Water quality related tariffs

CURRENT TARIFFS CHARGED FOR JULY 2018 - JUNE 2019		PROPOSED INCREASE FOR JULY 2019 - JUNE 2020		PROPOSED TARIFFS FOR JULY 2019 - JUNE 2020	
TARIFFS	CURRENT TARIFF FOR 2018/2019 VAT EXCLUSIVE	PROPOSED INCREASE OF 5.2 %	PROPOSED TARIFF FOR 2019/2020 VAT EXCLUSIVE	PROPOSED TARIFF FOR 2019/2020 VAT AMOUNT AT 15 %	PROPOSED TARIFF FOR 2019/2020 VAT INCLUSIVE AT 15 %
WATER QUALITY - LAB ANALYSIS COSTS					
<i>Bacteriological analysis</i>					
E-coli (count / 100 ml)	90.77	4.72	95.49	14.32	109.81
Coliform Count (count / 100 ml)	74.00	3.85	77.85	11.68	89.53
<i>Physical & Organoleptic analysis</i>					
Ph	20.43	1.06	21.50	3.22	24.72
Turbidity	12.09	0.63	12.72	1.91	14.62
Electrical conductivity	16.64	0.87	17.51	2.63	20.14
Chlorine	6.36	0.33	6.69	1.00	7.69
Total dissolved solids (TDS)	41.09	2.14	43.22	6.48	49.71
Suspended solids	30.93	1.61	32.54	4.88	37.42
<i>Chemical analysis</i>					
Fluoride	69.27	3.60	72.87	10.93	83.80
Nitrate	87.07	4.53	91.60	13.74	105.34
Ammonia	66.30	3.45	69.75	10.46	80.22
Chemical Oxygen Demand (COD)	138.11	7.18	145.29	21.79	167.09
Phosphate	73.92	3.84	77.77	11.66	89.43
Sulphate	69.27	3.60	72.87	10.93	83.80

CURRENT TARIFFS CHARGED FOR JULY 2018 - JUNE 2019		PROPOSED INCREASE FOR JULY 2019 - JUNE 2020		PROPOSED TARIFFS FOR JULY 2019 - JUNE 2020	
TARIFFS	CURRENT TARIFF FOR 2018/2019 VAT EXCLUSIVE	PROPOSED INCREASE OF 5.2 %	PROPOSED TARIFF FOR 2019/2020 VAT EXCLUSIVE	PROPOSED TARIFF FOR 2019/2020 VAT AMOUNT AT 15 %	PROPOSED TARIFF FOR 2019/2020 VAT INCLUSIVE AT 15 %
MUNICIPAL HEALTH SERVICES / ENVIRONMENTAL MANAGEMENT AND WATER QUALITY SERVICES					
VECTOR CONTROL					
Vector control per occurrence	R 295.97	R 15.39	R 311.36	R 46.70	R 358.06
Waste water spillages	R 493.27	R 25.65	R 518.92	R 77.84	R 596.76
Noise control					
Residential	R 493.27	R 25.65	R 518.92	R 77.84	R 596.76
Business	R 591.92	R 30.78	R 622.70	R 93.41	R 716.11
ATMOSPHERIC EMISSIONS LICENCES					
1 unit of listed activities					
New Application	R 1,479.82	R 76.95	R 1,556.77	R 233.52	R 1,790.28
Review	R 986.55	R 51.30	R 1,037.85	R 155.68	R 1,193.53
Renewal	R 986.55	R 51.30	R 1,037.85	R 155.68	R 1,193.53
Transfer	R 493.27	R 25.65	R 518.92	R 77.84	R 596.76
2 to 5 units of listed activities					
New Application	R 2,466.37	R 128.25	R 2,594.62	R 389.19	R 2,983.81
Review	R 1,479.82	R 76.95	R 1,556.77	R 233.52	R 1,790.28
Renewal	R 986.55	R 51.30	R 1,037.85	R 155.68	R 1,193.53
Transfer	R 493.27	R 25.65	R 518.92	R 77.84	R 596.76
6 to 10 units of listed activities					
New Application	R 3,452.90	R 179.55	R 3,632.45	R 544.87	R 4,177.31
Review	R 2,466.37	R 128.25	R 2,594.62	R 389.19	R 2,983.81
Renewal	R 986.55	R 51.30	R 1,037.85	R 155.68	R 1,193.53
Transfer	R 493.27	R 25.65	R 518.92	R 77.84	R 596.76
11 and more units of listed activities					
New Application	R 4,439.44	R 230.85	R 4,670.29	R 700.54	R 5,370.84
Review	R 3,452.90	R 179.55	R 3,632.45	R 544.87	R 4,177.31
Renewal	R 986.55	R 51.30	R 1,037.85	R 155.68	R 1,193.53
Transfer	R 493.27	R 25.65	R 518.92	R 77.84	R 596.76
Certificate of Acceptability (CoA) (FCD Act)					
New Application	R 246.63	R 12.83	R 259.46	R 38.92	R 298.38
Review	R 98.65	R 5.13	R 103.78	R 15.57	R 119.35
Renewal	R 98.65	R 5.13	R 103.78	R 15.57	R 119.35
Certificate of unsound foodstuffs (Condemns Certificate)	R 197.31	10.26	207.57	31.14	R238.70 / Hour
Health Certificate (HA) (H. Act)					
New Application	R 147.98	R 7.70	R 155.68	R 23.35	R 179.03
Review	R 98.65	R 5.13	R 103.78	R 15.57	R 119.35
Renewal	R 98.65	R 5.13	R 103.78	R 15.57	R 119.35
Certificate of Competence (CoC) (H. Act)					
New Application	R 246.63	R 12.83	R 259.46	R 38.92	R 298.38
Review	R 98.65	R 5.13	R 103.78	R 15.57	R 119.35
Renewal	R 98.65	R 5.13	R 103.78	R 15.57	R 119.35
Application for exhumations and re-burials	R 246.63	R 12.83	R 259.46	R 38.92	R 298.38
Re-Issue of Certificates	R 98.65	R 5.13	R 103.78	R 15.57	R 119.35
Request for re-inspection or special inspections	R 197.30	R 10.26	R 207.56	R 31.13	R 238.70
Illegal Transport of foodstuffs (FCD Act)	R 197.30	R 10.26	R 207.56	R 31.13	R 238.70
Application for selling of foodstuffs during public events	R 98.65	R 5.13	R 103.78	R 15.57	R 119.35
Meat Safety Inspections (MS Act)	R 246.63	R 12.82	R 259.45	R 38.92	R298.37 / Hour

CURRENT TARIFFS CHARGED FOR JULY 2018 - JUNE 2019		PROPOSED INCREASE FOR JULY 2019 - JUNE 2020		PROPOSED TARIFFS FOR JULY 2019 - JUNE 2020	
TARIFFS	CURRENT TARIFF FOR 2018/2019 VAT EXCLUSIVE	PROPOSED INCREASE OF 5.2 %	PROPOSED TARIFF FOR 2019/2020 VAT EXCLUSIVE	PROPOSED TARIFF FOR 2019/2020 VAT AMOUNT AT 15 %	PROPOSED TARIFF FOR 2019/2020 VAT INCLUSIVE AT 15 %
FINES ON ACTIVITIES HAVING AN ENVIRONMENTAL IMPACT - LAW ENFORCEMENT OFFICERS (EHP'S)					
Environmental Pollution – (Municipal Boundaries) - Relating to Environmental pollution created during protest Action	R 18,596.50	R 967.02	R 19,563.51	R 2,934.53	R 22,498.04
Air pollution - Residential	R 2,324.57	R 120.88	R 2,445.44	R 366.82	R 2,812.26
Air pollution – Commercial	R 4,649.12	R 241.75	R 4,890.88	R 733.63	R 5,624.51
Trading without COA (Certificate of Acceptability)	R 232.45	R 12.09	R 244.54	R 36.68	R 281.22
Environmental pollution (Waste Water)	R 9,298.24	R 483.51	R 9,781.75	R 1,467.26	R 11,249.01
Illegal transport of Meat	R 232.45	R 12.09	R 244.54	R 36.68	R 281.22
Illegal transport of Milk	R 232.45	R 12.09	R 244.54	R 36.68	R 281.22
Illegal keeping of Animals	R 464.91	R 24.18	R 489.09	R 73.36	R 562.45
Illegal trading – Pesticides / Chemicals	R 232.45	R 12.09	R 244.54	R 36.68	R 281.22